Specialists play a crucial role in providing stability, liquidity and continuity to the trading of securities. Among the obligations imposed upon specialists by the Exchange, and by the Act and rules thereunder, is the maintenance of fair and orderly markets in designated securities.[8] To ensure that specialists fulfill these obligations, it is important that the Exchange develop objective measures of specialist performance and prescribe stock allocation procedures and policies that encourage specialists to strive for optimal performance. The Commission supports the NYSE's effort to develop an objective measure of specialist capital utilization to encourage improved specialist performance and market quality.

The Commission believes that extending the pilot period for the specialist capital utilization tier ratings is appropriate because that standard should provide the NYSE Allocation Committee with an objective measure of specialist performance that will refine the Exchange's allocation process and thereby encourage improved specialist performance. The NYSE's Allocation Policy emphasizes that the most significant allocation criterion is specialist performance.[9] In the Commission's view, performance based stock allocations not only help to ensure that stocks are allocated to specialists who will make the best markets, but will provide an incentive for specialists to improve their performance or maintain superior performance.

For these reasons and for the other reasons discussed in Release No. 33369,[10] the Commission has determined to extend the pilot period for this measure through June 30, 1995. The Commission believes that extending the pilot period is appropriate because it will provide the Exchange and the Commission with an opportunity to further study the effects of the use of the measure on the NYSE's allocation process. During the pilot period, the Commission continues to expect the NYSE to monitor carefully the effects of the revised Allocation Policy and report its findings to the Commission. Specifically, the Commission request the NYSE report the capital utilization data as presented to the Allocation Committee in three tiers [11] and any action taken by the Allocation Committee.[12] The Commission also requests that the NYSE submit its monitoring report, as well as any requests for extension or permanent approval of the use of the capital utilization measure, by May 1, 1995.

The Commission finds good cause pursuant to Section 19(b)(2) of the Act for approving the proposed rule change prior to the thirtieth day after publication of the proposed rule change in the **Federal Register**. Accelerated approval will enable the Exchange to continue to make use of the capital utilization measure of specialist performance on an uninterrupted basis and will ensure continuity and consistency in the stock allocation deliberation process.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[13] that the proposed rule change (File No. SR–NYSE–94–49) be approved through June 30, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[14]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–370 Filed 1–5–95; 8:45 am]

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[8] See, *e.g.,* Rule 11b–1, 17 CFR 240.11b–1 (1994); NYSE Rule 104.

[9] See, *e.g.,* Commission's order approving revisions to the NYSE's Allocation Policy and Procedures, Securities Exchange Act Release No. 34906 (October 27, 1994), 59 FR 55142.

[10] See note 3, *supra.*

[11] The Commission notes that this request for information is not exclusive an that the NYSE should add any additional data and analysis to the report in order to assess the effectiveness of the capital utilization measure.

[12] This information should include which stocks were reallocated due to performance, and the specialist units involved in each reallocation.

[13] 15 U.S.C. 78s(b)(2) (1988).

[14] 17 CFR § 200.30–3(a)(12) (1991).

[Release No. 34–35169; File No. SR–NASD–94–71]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Application of ''Do Not Reduce'' and ''Do Not Increase'' Instructions With Respect to the Repricing of Open Orders

December 28, 1994.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 7, 1994, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items, I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is proposing to amend Article III, Section 46 of the Rules of Fair Practice. Below is the text of the proposed rule change. Proposed new language is italicized and proposed deletions are bracketed.

Adjustment of Open Orders

Sec. 46.

* * * * *

(e) The provisions of this rule shall not apply to: (1) orders governed by the rules of a registered national securities exchange; (2) orders marked ''do not reduce'' *where the dividend is payable in cash;* (3) orders marked ''do not increase[;]'' *where the dividend is payable in stock, provided that the price of such orders shall be adjusted as required by this rule;* (4) open stop orders to buy; (5) open sell orders; or (6) orders for the purchase or sale of securities where the issuer of the securities has not reported a dividend, payment or distribution pursuant to Securities and Exchange Commission Rule 10b–17.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The NASD has prepared summaries, set forth in Section (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Article III, Section 46 of the Rules of Fair Practice, which became effective September 15, 1994, requires a member holding an open order, prior to executing or permitting the order to be executed, to adjust the price and size of the order in proportion to the dividend or other distribution, on the day that the security is quoted ex. Since the rule became effective, the NASD has discovered an inconsistency in the definition of the terms ''Do Not Reduce'' (DNR) and ''Do Not Increase'' (DNI) between the NASD's Section 46 and

NYSE Rule 118, on which Section 46 was patterned.

Under NYSE Rule 118, a DNR instruction applies only with respect to cash dividends; i.e., an order with a DNR instruction would be reduced in price and increased in size, in the event of a stock dividend or split, but would not be reduced in price in the event of a cash dividend. In addition, under NYSE Rule 118, a DNI instruction applies only with respect to stock dividends, i.e., an order with a DNI instruction would not be increased in size, but would be reduced in price, in the event of a stock dividend. Because Section 46 was intended to operate in the same manner as NYSE Rule 118, and the NASD has determined to amend the definitions of DNR and DNI to conform to the definitions in Rule 118.

For customers who understand the operation of Section 46 to be the same as NYSE Rule 118, leaving the current definitions in place could result in unexpected executions of open orders for such customers. For example, the price of an order marked DNR would not be adjusted under the current definition in Section 46 even in the event of a 2 for 1 or similar stock dividend, while applying NYSE Rule 118 would result in an adjustment. Such a dividend would halve the quotes for the security, but the order would remain at the original price, far out of line with the market for the security. Thus, the customer could be faced with a purchase execution at twice the new market price for the security, assuming that the original order was priced between the old bid and ask quotations. The apparent rationale behind limiting the application of the DNR instruction to cash dividends under NYSE Rule 118 (and the proposed amendment to Section 46) is that cash dividends are less likely to result in large quotation moves that would place an unadjusted order very far out of line with the market.

Similarly, consistent with Rule 118, a DNI instruction should apply only to order size adjustment in the event of a stock dividend. Because orders are only adjusted (increased) in size in a sock dividend situation, and price is never adjusted upward as a result of a distribution, a DNI instruction would operate to prevent the size of an order from being increased. This will prevent a customer from ending up with more shares than he wanted or intended. Moreover, because a DNI instruction only applies to the size of the order, the price of the order in a dividend situation will be adjusted downward as required by the rule.

The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act in that the clarification of the definitions of DNR and DNI will alleviate confusion, and order executions that may be harmful to investors, caused by the differences between Section 46 and NYSE Rule 118 and, thereby, remove an impediment to the functioning of the market and protect investors.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve such proposed rule change, or

B. Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR–NASD–94–71 and should be submitted by January 27, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[1]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–369 Filed 1–5–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–20810; File No. 811–3645]

Pilgrim Corporate Utilities Fund: Notice of Application for Deregistration

December 29, 1994.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of application for deregistration under the Investment Company Act of 1940 (''Act'').

APPLICANT: Pilgrim Corporate Utilities Fund.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILING DATE: The application was filed on December 13, 1994.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 23, 1995, and should be accompanied by proof of service on applicant, in the form of an affidavit, or for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, D.C. 20549. Applicant, 10100 Santa Monica Boulevard, Los Angeles, California 90067.

FOR FURTHER INFORMATION CONTACT: Bradley W. Paulson, Staff Attorney, at (202) 942–0147 or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

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[1] 17 CFR 200.30–3(a)(12).